



FOR IMMEDIATE RELEASE

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MEDIA RELEASE

**MAYOR JERRY SANDERS’
REMARKS TO THE CITY COUNCIL
ON MID-YEAR BUDGET REDUCTIONS**

This morning, I spoke before the City Council about my plan to close the city’s \$43 million budget shortfall, which was brought on by a significant decrease in property tax, sales tax, and hotel tax revenues. Below is the text of my remarks.

Good morning.

Just a few months ago you adopted a budget for Fiscal Year 2009 that was honest and balanced, and that incorporated the best forecasts by the top economists in our region.

As I stand here this morning, that day seems a long time ago.

We all know how badly our national economy has stumbled since then.

And how the revenue forecasts we relied upon – forecasts that were already very conservative – are now falling short of our expectations.

I’m here today to present an amendment to that budget.

It deals with our immediate problem – a \$43 million deficit -- in a way that is fair-minded and thoughtful.

But it also makes clear the sacrifices that lie ahead.

The honesty and firmness we need to balance this budget we will need again next year, to balance the new budget. And again the following year. And for as long as the nation’s economic troubles continue to affect this city.

The path I have chosen will not make me popular in some quarters.

Because it spreads the pain widely, to departments and communities that never before have been asked to make sacrifices.

And because it challenges the notion that all city facilities are equal -- and that we can never take back from our citizens a service or program once it has been offered.

These were difficult decisions, and there is no sugar-coating them.

But they were recommended by our department heads, men and women who know their programs better than anyone.

And I stand behind them.

I appreciate your scrutiny of this proposal, and your recommendations for making it better. But I caution everyone not to look for easy fixes to our problem, because there are none.

We can't put off making tough decisions. There's no place to put them off to.

The cuts I'm proposing will solve the immediate problem, which is largely due to a dramatic drop-off in revenue from sales taxes, property taxes and the Transient Occupancy Tax.

But another \$44 million in cuts are likely to be needed to balance the Fiscal Year 2010 budget -- which we start working on immediately.

In essence, we need to solve -- now and again when you adopt our next budget -- a two-year problem of roughly \$87 million as I stand here today.

That figure does not take into account the possible actions of the California Legislature, which historically raids local funds to balance the state budget, and is now facing the largest deficit in state history.

Nor does that \$87 million figure take into account the prospect that revenues will continue to decline if our national economy does not pull out of its slump.

These are challenging times everywhere, throughout the country and around the world.

Here the challenge is greater because our budget is already lean -- and has been cut each of the past three years.

Our operations are already streamlined.

And the obvious and easy cuts were made long ago.

Adding to our difficulty is the culture of deception and denial we have tried so hard to eradicate over the past three years.

There was a time when every budget hearing included dire warnings that popular programs would be slashed.

So every year, our citizens stormed City Hall demanding that their favorite city services be spared.

And, as if by magic, previous mayors and City Councils granted those wishes, and were treated as heroes.

They did so by deceiving the public, and maybe themselves. By taking money that was intended to pay for deferred maintenance projects, or pension payments, or retiree health care benefits, and using it to plug the holes in the budget.

In those days, every citizen left these chambers happy. And no one had to face the ugly truth that those short-term solutions were fueling a long-term crisis.

So yes, these are challenging times.

And our challenge is to be honest with the public, and to tell them there are no silver bullets, no rabbits to pull from our hats.

Our challenge is to tell the public that everyone has to make sacrifices. Even the people who complain the loudest.

That's the heroism that is called for today.

I am confident that the people of San Diego, when they are told the truth, can handle the truth.

So let me start by explaining the process that resulted in this budget amendment.

I began by asking my chief operating officer and the department heads to bring me proposals to reduce their budgets by 10%.

I told them I wanted plans that spread the pain from top to bottom, that cut administrative overhead, and that required managers and supervisors to broaden their areas of supervision so we could preserve line-level employees and minimize the impact on the public.

I also told them I didn't want any game playing -- that if they wouldn't propose honest cuts, I'd do the job myself.

From there, my staff analyzed the proposals. We had frank discussions with the department heads. A lot of tough questions were asked before we reached the solution before you today.

We began by cutting administrative overhead. Some argue we should have cut everyone's salary across the board. We took a more focused approach to get the same savings -- eliminating positions and, in some cases, entire offices.

Next we eliminated unfilled positions, and programs the city could no longer afford to offer.

When those cuts didn't reach our goal, we dug deeper.

I turned to my department heads -- who know the city faces a multi-year budget problem - - and I accepted their honest advice about where cuts could be taken.

We had only two weeks to get the job done -- just as you'll have had only two weeks to study our budget memo before you vote next week.

That's not much time. So allow me to share with you now some of our thinking.

It's popular to call for mandatory furloughs of all city employees. Other cities are doing it, and we looked at it closely.

But our contracts with our employee organizations do not allow us to impose furloughs in time to save money this fiscal year. It is something we are exploring for Fiscal Year 2010.

There is also a clamor to raise fees, and my plan does propose to raise some fees to keep pace with inflation.

But I have to caution everyone that fees cannot be raised without a careful analysis of the services they pay for.

As you all know, the city's chief financial officer initiated a methodical analysis of all city fees last July. We expect to present to you a comprehensive fee restructuring plan in January, in time for next year's budget.

If anyone thinks that Transient Occupancy Taxes are a pot of money we overlooked, let me assure you otherwise.

And let me also assure you that TOT money is not a solution. In fact, it is responsible for a large part of the hole we're in.

We are experiencing a \$16.1 million drop in TOT revenue – which translates as an \$8.4 million reduction in General Fund revenues and a \$7.7 million drop in special-promotion funds.

Most of the TOT money available for General Fund purposes already pays for important programs. If we cut their funding, we are actually cutting services.

Shuffling money from one pot to another does not solve this problem.

In that same vein, we investigated how much redevelopment money we could tap. We know some people think that's the solution for every problem that faces the city.

But those funds come with many restrictions and can only be spent for specific purposes.

As part of my approach to addressing the loss of \$7.7 million in the TOT fund, I am recommending that CCDC pay 100% of the debt service on the Petco Park bonds, bringing the total contribution to \$11.3 million.

We are looking for other possible uses, but there are no great riches there, either.

I've been with the city a long time, and I've never seen it in such a bad financial position.

Naturally I know which cuts will provoke the most outrage, and my department heads are here to explain the reasoning behind their recommendations.

They can speak for themselves, but let me get the ball rolling by saying this:

Of course we looked at whether it would make more sense to reduce hours at every library, rather than suspending service at seven libraries.

Of course we looked at whether it would make more sense to reduce hours at every Park and Recreation center, rather than suspending service at nine recreation centers.

But in both cases, I accepted the professional judgment of the directors who run those departments.

They told me that suspending service at lesser-used facilities was the best way to preserve the quality of service they offer citywide.

Their staffs already face tremendous difficulties in keeping open as many facilities as they do.

They did not want their employees fighting to run facilities on a shoestring, knowing they would soon be closed anyway.

They made hard but necessary decisions.

I trusted them to do the right thing -- and I hope you will, too.

In the same way, I accepted the professional judgment of my fire chief and police chief when it came to cutting their budgets.

I expect you are hearing a lot of scary stories from the firefighters' union about the fire chief's plan to reduce, on a rotating basis, the number of companies she has at two-truck stations.

The chief can speak for herself, but let me once again get the ball rolling:

These scare tactics are a bunch of baloney. They are typical of public employee unions, but unworthy of the firefighting service.

I know public safety. I spent most of my life in public safety. It has always been my No. 1 priority as mayor. I would never put the city at risk.

What the chief has proposed will not leave a single fire station without a company.

Instead, it will reduce the number of companies available on a daily basis from 60 to 58.

Firefighters handle situations like this every day.

They cover for each other whenever a vehicle is being serviced, whenever their fellow firefighters are in training, and whenever a company is out on a call.

And when wildfire conditions are present, the department will be fully staffed, just as it would be now.

This fluid coverage system is part of the firefighting culture. Like their chief, I have confidence in our firefighters' professionalism and their ability to respond to this challenge.

I also have confidence in the ability of the citizens of San Diego to make sacrifices in the interests of the greater good.

I know these cuts are deep, and in many cases painful.

If there were easier options, believe me, we'd have taken them in a heartbeat.

Instead, we've made the tough but honest decisions we had to make -- knowing there will be plenty more tough decisions in the weeks ahead.

Thank you.